

HEALTH QUARTERLY STATEMENT

AS OF September 30, 2004

OF THE CONDITION AND AFFAIRS OF THE

MCARE INC.

NAIC Group Code	3414	3414	NAIC Company Code	95449	Employer's ID Number	38-2649504
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[X] No[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Date Incorporated or Organized	01/01/1986		Date Commenced Business	10/01/1986		
Statutory Home Office	2301 Commonwealth Blvd.		Ann Arbor, MI 48105			
	(Street and Number)		(City, or Town, State and Zip Code)			
Main Administrative Office	2301 Commonwealth Blvd.					
	Ann Arbor, MI 48105		(734)747-8700			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Mail Address	2301 Commonwealth Blvd.		Ann Arbor, MI 48105			
	(Street and Number or P.O. Box)		(City, or Town, State and Zip Code)			
Primary Location of Books and Records	2301 Commonwealth					
	Ann Arbor, MI 48105		(734)747-8700			
	(City, or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Internet Website Address	www.mcare.net					
Statutory Statement Contact	Elizabeth A. Bergin		(734)332-2623			
	(Name)		(Area Code)(Telephone Number)(Extension)			
	eabergin@mcare.med.umich.edu		(734)332-2177			
	(E-Mail Address)		(Fax Number)			
Policyowner Relations Contact	2301 Commonwealth Blvd.					
	Ann Arbor, MI 48105		(734)913-2211			
	(City, or Town, State and Zip Code)		(Area Code) (Telephone Number)(Extension)			

OFFICERS

Zelda Geyer-Sylvia, President  
Larry Warren, Secretary  
Douglas L. Strong, Treasurer  
Gregory A. Hawkins, Chief Financial Officer  
Robert P. Kelch M.D., Chairman

OTHERS

DIRECTORS OR TRUSTEES

Darrell A. Campbell Jr., M.D.  
Sally Joy  
Jean M. Malouin M.D.  
Timothy P. Slottow  
Dorothy C. Symons  
Miriam M. Weininger

Zelda Geyer-Sylvia  
Robert P. Kelch M.D.  
Richard C. Petrocelli  
Douglas L. Strong  
Larry Warren  
James O. Woolloscroft M.D.

State ofMichigan

County ofWashtenawss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Zelda Geyer-Sylvia	Larry Warren	Douglas L. Strong
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[ ]
day of , 2004	b. If no,	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds .....	14,919,395		14,919,395	23,934,199
2.	Stocks:				
2.1	Preferred stocks .....				
2.2	Common stocks .....	32,579,594		32,579,594	13,901,667
3.	Mortgage loans on real estate:				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....(5,470,222)), cash equivalents (\$.....25,850,628) and short-term investments \$.....63,256,042) .....	83,636,447		83,636,447	90,197,722
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets .....	2,374,144		2,374,144	2,064,064
8.	Receivable for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	133,509,580		133,509,580	130,097,652
11.	Investment income due and accrued .....	334,624		334,624	315,137
12.	Premiums and considerations:				
12.1	Uncollected premiums and agents' balances in the course of collection .....	1,006,498	30,480	976,018	2,462,788
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) .....				
12.3	Accrued retrospective premiums .....				
13.	Reinsurance:				
13.1	Amounts recoverable from reinsurers .....				
13.2	Funds held by or deposited with reinsured companies .....				
13.3	Other amounts receivable under reinsurance contracts .....				
14.	Amounts receivable relating to uninsured plans .....				
15.1	Current federal and foreign income tax recoverable and interest thereon .....				
15.2	Net deferred tax asset .....				
16.	Guaranty funds receivable or on deposit .....				
17.	Electronic data processing equipment and software .....	1,100,456	734,067	366,389	568,043
18.	Furniture and equipment, including health care delivery assets (\$.....) .....	354,272	354,272		
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Receivables from parent, subsidiaries and affiliates .....	398,638		398,638	
21.	Health care (\$.....) and other amounts receivable .....				
22.	Other assets nonadmitted .....				
23.	Aggregate write-ins for other than invested assets .....	4,373,576	4,202,381	171,195	
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	141,077,644	5,321,200	135,756,444	133,443,620
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	TOTALS (Lines 24 and 25) .....	141,077,644	5,321,200	135,756,444	133,443,620
DETAILS OF WRITE-INS					
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	Leasehold Improvements .....	758,072	758,072		
2302.	Improvements in Progress .....	171,195		171,195	
2303.	Prepaid Expenses .....	3,444,309	3,444,309		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	4,373,576	4,202,381	171,195	

**LIABILITIES, CAPITAL AND SURPLUS**

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....	40,857,378		40,857,378	42,597,108
2.	Accrued medical incentive pool and bonus amounts .....	23,377,870		23,377,870	24,914,861
3.	Unpaid claims adjustment expenses .....	1,508,686		1,508,686	1,622,821
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserve .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....	8,031,235		8,031,235	8,205,743
9.	General expenses due or accrued .....	4,949,054		4,949,054	4,615,675
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....				
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....				
22.	Total liabilities (Lines 1 to 21) .....	78,724,223		78,724,223	81,956,208
23.	Common capital stock .....	X X X	X X X		
24.	Preferred capital stock .....	X X X	X X X		
25.	Gross paid in and contributed surplus .....	X X X	X X X		
26.	Surplus notes .....	X X X	X X X	3,831,446	4,331,446
27.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
28.	Unassigned funds (surplus) .....	X X X	X X X	53,200,775	47,155,966
29.	Less treasury stock, at cost:				
	29.1 ... .. shares common (value included in Line 23 \$.....)	X X X	X X X		
	29.2 ... .. shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29) .....	X X X	X X X	57,032,221	51,487,412
31.	Total liabilities, capital and surplus (Lines 22 and 30) .....	X X X	X X X	135,756,444	133,443,620
DETAILS OF WRITE-INS					
2101	.....				
2102	.....				
2103	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page .....	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

		Current Year To Date		Prior Year To Date
		1	2	3
		Uncovered	Total	Total
1.	Member Months .....	X X X .....	1,637,338 .....	1,730,902 .....
2.	Net premium income (including \$..... non-health premium income) .....	X X X .....	327,701,252 .....	342,425,608 .....
3.	Change in unearned premium reserves and reserves for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....		
7.	Aggregate write-ins for other non-health revenues .....	X X X .....		
8.	Total revenues (Lines 2 to 7) .....	X X X .....	327,701,252 .....	342,425,608 .....
<b>Hospital and Medical:</b>				
9.	Hospital/medical benefits .....		230,629,808 .....	239,942,496 .....
10.	Other professional services .....			
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....		2,220,939 .....	2,636,377 .....
13.	Prescription drugs .....		39,450,303 .....	38,088,363 .....
14.	Aggregate write-ins for other hospital and medical .....		21,692,024 .....	23,624,917 .....
15.	Incentive pool, withhold adjustments and bonus amounts .....		3,885,960 .....	7,722,076 .....
16.	Subtotal (Lines 9 to 15) .....		297,879,034 .....	312,014,229 .....
<b>Less:</b>				
17.	Net reinsurance recoveries .....			
18.	Total hospital and medical (Lines 16 minus 17) .....		297,879,034 .....	312,014,229 .....
19.	Non-health claims .....			
20.	Claims adjustment expenses, including \$..... cost containment expenses .....			
21.	General administrative expenses .....		24,778,998 .....	24,830,009 .....
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		322,658,032 .....	336,844,238 .....
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	5,043,220 .....	5,581,370 .....
25.	Net investment income earned .....		1,330,788 .....	1,464,802 .....
26.	Net realized capital gains (losses) .....		201,238 .....	(89,809) .....
27.	Net investment gains or (losses) (Lines 25 plus 26) .....		1,532,026 .....	1,374,993 .....
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....		(411,205) .....	(893,000) .....
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	6,164,041 .....	6,063,363 .....
31.	Federal and foreign income taxes incurred .....	X X X .....		
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	6,164,041 .....	6,063,363 .....
<b>DETAILS OF WRITE-INS</b>				
0601	.....	X X X .....		
0602	.....	X X X .....		
0603	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
0701	.....	X X X .....		
0702	.....	X X X .....		
0703	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....		
1401.	Direct Medical .....		14,353,081 .....	15,491,239 .....
1402.	Mental Health .....		6,855,472 .....	7,491,648 .....
1403.	Stop Loss Insurance .....		483,471 .....	642,030 .....
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		21,692,024 .....	23,624,917 .....
2901.	Interest Pmt on Note Payable .....		(411,205) .....	(893,000) .....
2902	.....			
2903	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....		(411,205) .....	(893,000) .....

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	51,487,412	41,546,093
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32 .....	6,164,041	9,178,231
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Net unrealized capital gains and losses .....	179,125	3,360,381
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....	(298,357)	(1,781,143)
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....	(500,000)	
43.	Cumulative effect of changes in accounting principles .....		(816,150)
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	5,544,809	9,941,319
49.	Capital and surplus end of reporting period (Line 33 plus 48) .....	57,032,221	51,487,412
DETAILS OF WRITE-INS			
4701.	0 .....		
4702	.....		
4703	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance .....	329,020,891	455,432,773
2.	Net investment income .....	1,311,301	2,115,684
3.	Miscellaneous income .....		
4.	Total (Lines 1 through 3) .....	330,332,192	457,548,457
5.	Benefit and loss related payments .....	301,155,755	428,679,601
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	24,970,961	33,403,382
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	326,126,716	462,082,983
11.	Net cash from operations (Line 4 minus Line 10) .....	4,205,476	(4,534,526)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	10,457,701	19,874,528
12.2	Stocks .....	15,769,321	
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....	(24,345)	(5,280)
12.7	Miscellaneous proceeds .....	0	257,758
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	26,202,677	20,127,006
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	1,501,800	20,637,345
13.2	Stocks .....	34,270,615	134,560
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		700,000
13.6	Miscellaneous applications .....	23,101	52,791
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	35,795,516	21,524,696
14.	Net increase (or decrease) in policy loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	(9,592,839)	(1,397,689)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....	(500,000)	
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	(673,913)	(857,922)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(1,173,913)	(857,922)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17) .....	(6,561,276)	(6,790,137)
19.	Cash and short-term investments:		
19.1	Beginning of year .....	90,197,722	96,987,859
19.2	End of period (Line 18 plus Line 19.1) .....	83,636,446	90,197,722
Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:			
Description		Amount 1	Amount 2
20.0001	.....		

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year .....	191,548	344	176,828				9,370	5,006					
2. First Quarter .....	179,753	494	171,468				7,791						
3. Second Quarter .....	178,238	353	170,139				7,746						
4. Third Quarter .....	178,743	403	170,750				7,590						
5. Current Year .....													
6. Current Year Member Months .....	1,637,338	3,750	1,563,981				69,607						
Total Member Ambulatory Encounters for Period:													
7. Physician .....	469,128		469,128										
8. Non-Physician .....	75,078		75,078										
9. Total .....	544,206		544,206										
10. Hospital Patient Days Incurred .....	27,300		27,300										
11. Number of Inpatient Admissions .....	7,860		7,860										
12. Health Premiums Written .....													
13. Life Premiums Direct .....													
14. Property/Casualty Premiums Written .....													
15. Health Premiums Earned .....	327,701,252		313,206,351				14,494,901						
16. Property/Casualty Premiums Earned .....													
17. Amount Paid for Provision of Health Care Services ...	301,155,755		294,388,308				6,767,447						
18. Amount Incurred for Provision of Health Care Services .....	297,879,034		291,277,224				6,601,810						

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims						
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 days	Over 120 Days	Total
0199999 Individually Listed Claims Unpaid .....	.....	.....	.....	.....	.....	.....
0299999 Aggregate Accounts Not Individually Listed - Uncovered .....	.....	.....	.....	.....	.....	.....
0399999 Aggregate Accounts Not Individually Listed - Covered .....	9,364,570	1,956,752	754,395	328,438	194,878	12,599,033
0499999 Subtotals .....	9,364,570	1,956,752	754,395	328,438	194,878	12,599,033
0599999 Unreported claims and other claim reserves .....						28,258,345
0699999 Total Amounts Withheld .....						.....
0799999 Total Claims Unpaid .....						40,857,378
0899999 Accrued Medical Incentive Pool And Bonus Amounts .....						23,377,870



**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5  Claims Incurred in Prior Years (Columns 1+3)	6  Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		1	2	3	4		
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....	..... 20,598,146	..... 262,611,622	..... 798,970	..... 41,145,410	..... 21,397,116	..... 36,365,551
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	..... 1,927,058	..... 4,840,389	..... 73,163	..... 186,839	..... 2,000,221	..... 425,639
6.	Title XVIII - Medicare .....	..... 5,514,231	.....	..... 161,682	.....	..... 5,675,913	..... 7,428,738
7.	Title XIX - Medicaid .....	.....	.....	.....	.....	.....	.....
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8) .....	..... 28,039,435	..... 267,452,011	..... 1,033,815	..... 41,332,249	..... 29,073,250	..... 44,219,928
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pools, and bonus amounts .....	..... 5,664,309	.....	..... 22,045,835	..... 1,332,035	..... 27,710,144	..... 24,914,361
12.	TOTALS .....	..... 33,703,744	..... 267,452,011	..... 23,079,650	..... 42,664,284	..... 56,783,394	..... 69,134,289

## Notes to Financial Statement

THE UNIVERSITY OF MICHIGAN  
M-CARE

**Notes to Statutory Filing**  
December 31, 2003 and 2002

**1. During 2003, M-CARE established a wholly owned, for profit subsidiary named Michigan Health Insurance Company authorized to do business as a health insurance company by the State of Michigan. In 2004, M-CARE invested \$10 million in Michigan Health Insurance Company which began operations on February 20, 2004.**

**2. During the 3rd quarter, M-CARE paid \$500,000 of principal on the surplus note payable.**

**THERE WERE NO OTHER SIGNIFICANT CHANGES FROM 12/31/03 FILING.**

### **Note 1-Operations and Summary of Significant Accounting Policies**

Organization and Basis of Presentation: The Regents of The University of Michigan ("University") have the ultimate responsibility for M-CARE ("the Corporation"), and as part of the University, the financial statements of the Corporation are included in the combined financial statements of the University. As part of the University, the Corporation is a tax-exempt entity under the provisions of section 501(c)(4) of the Internal Revenue Code. The Corporation is regulated and licensed by the State of Michigan Office of Financial and Insurance Services ("OFIS") and must submit periodic filings under rules promulgated by the State of Michigan. The Corporation was established by the University for the purpose of operating a health maintenance organization and in connection therewith, utilizes assets, the title to which is vested in the University.

During 2002, the Corporation established a wholly owned, not for profit Health Maintenance Organization ("HMO") subsidiary named M-CAID to contract directly with the State of Michigan to administer Medicaid products. M-CAID's operations began in 2003.

Summary of Significant Accounting Policies: The financial statements have been prepared in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual except to the extent that the laws of the State of Michigan differ. The State of Michigan adopted codification guidance effective January 1, 2003.

For the purposes of the Statement of Cash Flows, highly liquid investments, excluding noncurrent investments, with an original maturity of three months or less are considered cash equivalents.

Investments in marketable securities are carried at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on a trade date basis. Investment income, including interest income, dividends, and realized and unrealized gains and losses on investments, is recorded on an accrual basis.

The Corporation wholly owns its subsidiary, M-CAID. This asset's value is stated at M-CAID's statutory capital and surplus balance, and is recorded in other invested assets.

The Corporation contracts with various health care providers for the provision of medical care services to its subscribers. The Corporation compensates providers under capitation and fee-for-service arrangements. Expenses for health care services are accrued as they are rendered, including an estimate of expenses incurred but not reported. The methods for making such estimates are regularly reviewed and updated, and any adjustments resulting therein are reflected in current operations.

Subscription premiums are recognized as revenue in the period in which the member is entitled to service. Premiums collected prior to the effective date of coverage are classified as unearned subscription income.

The preparation of financial statements in conformity with the Annual Statement Instructions and *Accounting Practices and Procedures* manual requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

## Notes to Financial Statement

statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2 - Accounting Changes and Corrections of Errors

The Corporation prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2003, the State of Michigan required that HMO's in the state prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual are reported as change in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to surplus in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Corporation reported a change of accounting principle, as an adjustment that decreased surplus of \$816,150 as of January 1, 2003.

### Note 3 - Business Combinations and Goodwill

This note does not apply to the Corporation in this period.

### Note 4 - Discontinued Operations

The Corporation discontinued operations in Medicaid after December 31, 2002. At January 1, 2003, all Medicaid operations were included under the newly formed entity M-CAID.

The Corporation discontinued operations in Medicare as of December 31, 2003. The effect of the discontinued operations on the financial statements is estimated to be immaterial and accrued for in claims payable.

### Note 5 - Investments

The Corporation had no investments in mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements, or real estate.

### Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

This note does not apply to the Corporation in this period.

### Note 7 - Investment Income

No amount of investment income receivable was excluded.

### Note 8 - Derivative Instruments

This note does not apply to the Corporation in this period.

### Note 9 - Income Taxes

The Corporation is a not-for-profit 501(C)(4) corporation, and is not subject to federal, state, or local income taxes.

### Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

Subscription premiums of approximately \$110,709,000 in 2003 and \$122,974,000 in 2002 were derived through group contracts with the University.

Health care expenses of \$124,622,000 in 2003 and \$145,708,000 in 2002 were incurred for services received by the Corporation's subscribers as a result of contractual arrangements with the University of Michigan Hospitals and Health Centers and Faculty Group Practice. As a result of the health care expense transactions, the corresponding amounts due to the University at December 31, 2003 and 2002 were \$18,170,000 and \$22,983,000, respectively.

**Notes to Financial Statement**

The Corporation staff are employees of the University. The Corporation reimburses the University for payroll, fringe benefits, payroll taxes and payroll processing costs which amounted to \$23,452,000 and \$21,630,000 in 2003 and 2002, respectively. See Note 1 for information related to the nature of the relationship.

During 2003, the Corporation invested an additional \$700,000 in M-CAID, a wholly owned subsidiary HMO. Starting in 2003, M-CAID recorded all revenue and expense transactions related the Corporation's Medicaid product. M-CAID incurred no activity in 2002 other than a net investment loss.

**Note 11 - Surplus Note Payable**

Interest on the Corporation's surplus note payable to the University totaling \$4,331,000, issued in May of 1986, is computed annually based on the lesser of 7 percent or the interest yield on long-term Treasury Notes at December 31, each year. Interest rates ranged from 3.32 percent to 4.45 percent for 2003 and 3.88 percent to 5.93 percent for 2002. Annual principal payments plus interest are subject to approval by the Corporation's Board of Directors and the OFIS and are subordinate to the payment of administrative and health care costs. No principal payments were made on the subordinated note in 2003 or 2002. Interest payments totaling \$1,343,000 and \$886,000 were paid in 2003 and 2002; respectively.

**Note 12 - Retirement Plan, Postemployment Benefits**

The Corporation's staff participates in the University retirement plan, a defined contribution retirement plan through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), and Fidelity Management Trust Company (FMTC) for all qualified employees. All primary staff are eligible to participate in the plan of their choice based on age and service requirements. Participants maintain individual annuity contracts with TIAA-CREF or accounts with FMTC, and are fully vested. Eligible employees generally contribute 5 percent of their pay and the University generally contributes an amount equal to 10 percent of employees' pay to the plan. Participants may elect to contribute additional amounts to the plan within specified limits, which are not matched by University contributions.

Contributions in connection with the plan (excluding participants' additional contributions) and certain payroll costs for the years ended December 31, 2003 and 2002, are summarized as follows:

	<u>2003</u>	<u>2002</u>
	(in thousands)	
Corporation contributions	\$ 1,635	\$ 1,531
Employee contributions	804	757
Payroll covered under plan	17,799	16,771
Total payroll	18,247	17,093

In addition to providing retirement income benefits, the University and the Corporation provide certain health care and other post-employment benefits for retired employees. Substantially all of the University's employees may become eligible for those benefits if they reach retirement age while working for the University.

Health care benefits for retirees and survivors are provided through insurance companies and health maintenance organizations, whose premiums are based in part on the benefits paid. The University and the Corporation recognize the cost of providing these benefits on a pay-as-you-go basis.

**Note 13 - Capital and Surplus**

The Corporation is wholly owned by the University. There are no shares of stock authorized or issued.

**Note 14 - Contingencies**

This note does not apply to the Corporation in this period.

**Note 15 - Leases**

## Notes to Financial Statement

Total rental expense for operating leases for office space was \$2,796,000 in 2003 and \$2,626,000 in 2002. The future minimum rental payments at December 31, 2003, required in connection with operating leases that have initial or remaining non-cancelable terms in excess of one year are as follows (in thousands):

	2004	\$3,075
	2005	3,128
	2006	3,128
	2007	3,083
	2008	2,236
	Thereafter	2,786
	\$	17,436

**Note 16 - Financial Instruments with Off - Balance Sheet Risk**

This note does not apply to the Corporation in this period.

**Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

This note does not apply to the Corporation in this period.

**Note 18 - Gain or Loss from Uninsured Plans**

This note does not apply to the Corporation in this period.

**Note 19 - Direct Premium Written / Produced by Managing General Agents / Third Party Administrators**

This note does not apply to the Corporation in this period.

**Note 20 - Other Items**

This note does not apply to the Corporation in this period.

**Note 21 - Events Subsequent**

This note does not apply to the Corporation in this period.

**Note 22 - Reinsurance**

This note does not apply to the Corporation in this period.

**Note 23 - Retrospectively Rated Contracts**

The Corporation had an immaterial amount of accrued retrospective premium adjustments. In 2003 and 2002, the amount of premiums earned by the Corporation that were subject to retrospective rating was \$21,611,201 and \$17,583,000, which represented 5% and 4% of total premium revenues, respectively. Such amounts represent premiums earned from the Federal Employee Health Benefit Plan.

**Note 24 - Change in Incurred Claims and Claim Adjustment Expenses**

This note does not apply to the Corporation in this period.

**Note 25 - Intercompany Pooling Arrangements**

This note does not apply to the Corporation in this period.

**Note 26 - Structured Settlements**

This note does not apply to the Corporation in this period.

**Note 27 - Health Care Receivables**

## Notes to Financial Statement

This note does not apply to the Corporation in this period.

**Note 28 - Participating Policies**

This note does not apply to the Corporation in this period.

**Note 29 - Premium Deficiency Reserves**

As a result of the Corporation's discontinuation of Medicare operations in 2003, the premium deficiency reserve was no longer required. The balance at December 31, 2002 of \$6,739,000 represented an estimate of losses expected in 2003 related to the Corporation's two remaining Medicare provider contracts.

**Note 30 - Anticipated Salvage and Subrogation**

This note does not apply to the Corporation in this period.

**GENERAL INTERROGATORIES**  
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[ ] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[ ] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[ ] No[ ] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 3.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes[ ] No[X] N/A[ ]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2000
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

08/30/2001
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/30/2001
- 7.4 By what department or departments?
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[ ] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
.....	.....	. Yes[ ] No[X]	. Yes[ ] No[X]	. Yes[ ] No[X]	. Yes[ ] No[X]	. Yes[ ] No[X]

**INVESTMENT**

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock?

Yes[ ] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$ .....
13. Amount of real estate and mortgages held in short-term investments:

\$ .....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[X] No[ ]
- 14.2 If yes, please complete the following:

**GENERAL INTERROGATORIES (Continued)**

		1	2
		Prior Year-End Statement Value	Current Quarter Statement Value
14.21	Bonds .....	.....	.....
14.22	Preferred Stock .....	.....	.....
14.23	Common Stock .....	.....	9,959,905
14.24	Short-Term Investments .....	.....	.....
14.25	Mortgages, Loans or Real Estate .....	.....	.....
14.26	All Other .....	2,064,064	2,374,144
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....	2,064,064	12,334,049
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above .....	.....	.....
14.29	Receivable from Parent not included in Lines 14.21 to 14.26 above .....	.....	.....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[ ] No[X]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[ ] N/A[X]
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[ ] No[X]
- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
JP Morgan Trust Company National Association .....	2001 Bryan Street / 10th Floor, Dallas, TX 75201 .....
Mellon Trust .....	135 Santilli Highway, Everett, MA 02149-1950 .....

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
M-Care Inc. ....	2301 Commonwealth, Ann Arbor, MI 48105 .....	MCare holds 10,000000 shares of common stock in MH .....

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[ ] No[X]
- 16.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....	.....	.....	.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
.....	.....	.....



**SCHEDULE A - VERIFICATION**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....		
2.	Increase (decrease) by adjustment .....		
3.	Cost of acquired .....		
4.	Cost of additions to and permanent improvements .....		
5.	Total profit (loss) on sales .....		
6.	Increase (decrease) by foreign exchange adjustment .....		
7.	Amount received on sales .....		
8.	Book/adjusted carrying value at end of current period .....		
9.	Total valuation allowance .....		
10.	Subtotal (Lines 8 plus 9) .....		
11.	Total nonadmitted amounts .....		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....		

NONE

**SCHEDULE B - VERIFICATION**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .....		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Accrual of discount and mortgage interest points and commitment fees .....		
4.	Increase (decrease) by adjustment .....		
5.	Total profit (loss) on sale .....		
6.	Amounts paid on account or in full during the period .....		
7.	Amortization of premium .....		
8.	Increase (decrease) by foreign exchange adjustment .....		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....		
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....		
12.	Total nonadmitted amounts .....		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) .....		

NONE

**SCHEDULE BA - VERIFICATION**

**Other Invested Assets Included in Schedule BA**

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....	2,064,064	1,048,319
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		700,000
3.	Accrual of discount .....		
4.	Increase (decrease) by adjustment .....	310,080	315,745
5.	Total profit (loss) on sale .....		
6.	Amounts paid on account or in full during the period .....		
7.	Amortization of premium .....		
8.	Increase (decrease) by foreign exchange adjustment .....		
9.	Book/adjusted carrying value of long-term invested assets at end of current period .....	2,374,144	2,064,064
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....	2,374,144	2,064,064
12.	Total nonadmitted amounts .....		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) .....	2,374,144	2,064,064

**SCHEDULE D - VERIFICATION**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	37,835,866	33,959,168
2.	Cost of bonds and stocks acquired .....	35,772,415	20,771,905
3.	Accrual of discount .....		
4.	Increase (decrease) by adjustment .....	(106,610)	3,057,317
5.	Increase (decrease) by foreign exchange adjustment .....		
6.	Total profit (loss) on disposal .....	224,339	(77,996)
7.	Consideration for bonds and stocks disposed of .....	26,227,022	19,874,528
8.	Amortization of premium .....		
9.	Book/adjusted carrying value, current period .....	47,498,989	37,835,866
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....	47,498,989	37,835,866
12.	Total nonadmitted amounts .....		
13.	Statement value .....	47,498,989	37,835,866

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	69,720,864	141,380,195	138,560,650	(23,649)	102,586,681	69,720,864	72,516,760	90,941,836
2. Class 2 .....	5,698,779	1,779,582	1,750,000	(69,683)	1,916,985	5,698,779	5,658,678	1,621,799
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. TOTAL Bonds .....	75,419,643	143,159,777	140,310,650	(93,332)	104,503,666	75,419,643	78,175,438	92,563,635
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. TOTAL Preferred Stock .....								
15. TOTAL Bonds & Preferred Stock .....	75,419,643	143,159,777	140,310,650	(93,332)	104,503,666	75,419,643	78,175,438	92,563,635

**SCHEDULE DA - PART 1**

**Short - Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. TOTALS .....	63,256,042	X X X .....	45,749,934	526,215	(52,283)

**SCHEDULE DA - PART 2 - Verification**

**Short-Term Investments Owned**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	68,629,435	83,509,792
2.	Cost of short-term investments acquired .....	371,217,195	344,576,479
3.	Increase (decrease) by adjustment .....	(17,718,660)	(5,632,014)
4.	Increase (decrease) by foreign exchange adjustment .....		
5.	Total profit (loss) on disposal of short-term investments .....		
6.	Consideration received on disposal of short-term investments .....	358,871,928	353,824,822
7.	Book/adjusted carrying value, current period .....	63,256,042	68,629,435
8.	Total valuation allowance .....		
9.	Subtotals (Lines 7 plus 8) .....	63,256,042	68,629,435
10.	Total nonadmitted amounts .....		
11.	Statement value (Lines 9 minus 10) .....	63,256,042	68,629,435
12.	Income collected during period .....	1,309,750	1,863,904
13.	Income earned during period .....	1,026,421	1,657,317

**15     Schedule DB Part F Section 1 -..... NONE**

**16     Schedule DB Part F Section 2 -..... NONE**

**17     Schedule S Ceded Reinsurance -..... NONE**

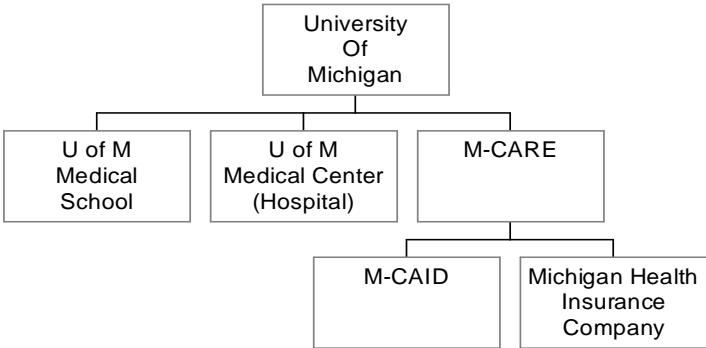
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS  
Allocated by States and Territories

State, Etc.		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
1.	Alabama (AL) .....	No .....	No .....						
2.	Alaska (AK) .....	No .....	No .....						
3.	Arizona (AZ) .....	No .....	No .....						
4.	Arkansas (AR) .....	No .....	No .....						
5.	California (CA) .....	No .....	No .....						
6.	Colorado (CO) .....	No .....	No .....						
7.	Connecticut (CT) .....	No .....	No .....						
8.	Delaware (DE) .....	No .....	No .....						
9.	District of Columbia (DC) .....	No .....	No .....						
10.	Florida (FL) .....	No .....	No .....						
11.	Georgia (GA) .....	No .....	No .....						
12.	Hawaii (HI) .....	No .....	No .....						
13.	Idaho (ID) .....	No .....	No .....						
14.	Illinois (IL) .....	No .....	No .....						
15.	Indiana (IN) .....	No .....	No .....						
16.	Iowa (IA) .....	No .....	No .....						
17.	Kansas (KS) .....	No .....	No .....						
18.	Kentucky (KY) .....	No .....	No .....						
19.	Louisiana (LA) .....	No .....	No .....						
20.	Maine (ME) .....	No .....	No .....						
21.	Maryland (MD) .....	No .....	No .....						
22.	Massachusetts (MA) .....	No .....	No .....						
23.	Michigan (MI) .....	No .....	Yes .....	313,206,351 .....			14,494,901 .....		
24.	Minnesota (MN) .....	No .....	No .....						
25.	Mississippi (MS) .....	No .....	No .....						
26.	Missouri (MO) .....	No .....	No .....						
27.	Montana (MT) .....	No .....	No .....						
28.	Nebraska (NE) .....	No .....	No .....						
29.	Nevada (NV) .....	No .....	No .....						
30.	New Hampshire (NH) .....	No .....	No .....						
31.	New Jersey (NJ) .....	No .....	No .....						
32.	New Mexico (NM) .....	No .....	No .....						
33.	New York (NY) .....	No .....	No .....						
34.	North Carolina (NC) .....	No .....	No .....						
35.	North Dakota (ND) .....	No .....	No .....						
36.	Ohio (OH) .....	No .....	No .....						
37.	Oklahoma (OK) .....	No .....	No .....						
38.	Oregon (OR) .....	No .....	No .....						
39.	Pennsylvania (PA) .....	No .....	No .....						
40.	Rhode Island (RI) .....	No .....	No .....						
41.	South Carolina (SC) .....	No .....	No .....						
42.	South Dakota (SD) .....	No .....	No .....						
43.	Tennessee (TN) .....	No .....	No .....						
44.	Texas (TX) .....	No .....	No .....						
45.	Utah (UT) .....	No .....	No .....						
46.	Vermont (VT) .....	No .....	No .....						
47.	Virginia (VA) .....	No .....	No .....						
48.	Washington (WA) .....	No .....	No .....						
49.	West Virginia (WV) .....	No .....	No .....						
50.	Wisconsin (WI) .....	No .....	No .....						
51.	Wyoming (WY) .....	No .....	No .....						
52.	American Samoa (AS) .....	No .....	No .....						
53.	Guam (GU) .....	No .....	No .....						
54.	Puerto Rico (PR) .....	No .....	No .....						
55.	U.S. Virgin Islands (VI) .....	No .....	No .....						
56.	Canada (CN) .....	No .....	No .....						
57.	Aggregate other alien (OT) .....	X X X .....	X X X .....						
58.	TOTAL (Direct Business) .....	X X X .....	(a).....1 .....	313,206,351 .....			14,494,901 .....		
DETAILS OF WRITE-INS									
5701	.....	X X X .....	X X X .....						
5702	.....	X X X .....	X X X .....						
5703	.....	X X X .....	X X X .....						
5798.	Summary of remaining write-ins for Line 57 from overflow page .....	X X X .....	X X X .....						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .....	X X X .....	X X X .....						

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

Organization Chart



# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

**RESPONSES**

1. Will the SVO Compliance Certification be filed with this statement?

No

Explanation:

Bar Code:

SVO Compliance Certification



**OVERFLOW PAGE FOR WRITE-INS**



**E01      Schedule A Part 2 - .....NONE**

**E01      Schedule A Part 3 - .....NONE**

**E02      Schedule B Part 1 - .....NONE**

**E02      Schedule B Part 2 - .....NONE**

**E03      Schedule BA Part 1 - .....NONE**

**E03      Schedule BA Part 2 - .....NONE**

**SCHEDULE D - PART 3**

**Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter**

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Governments</b>									
681937512 .....	ONE GROUP TREASURY ONLY .....		07/01/2004 .....	JP MORGAN TRUST COMPANY .....	X X X .....	7,729 .....	7,728.66 .....		1 .....
681937512 .....	ONE GROUP TREASURY ONLY .....		08/01/2004 .....	JP MORGAN TRUST COMPANY .....	X X X .....	1,319 .....	1,318.72 .....		1 .....
681937512 .....	ONE GROUP TREASURY ONLY .....		09/01/2004 .....	JP MORGAN TRUST COMPANY .....	X X X .....	43 .....	43.03 .....		1 .....
0399999 Subtotal - Bonds - U.S. Governments .....					X X X .....	9,090 .....	9,090.41 .....		X X X .....
<b>Bonds - Industrial and Miscellaneous</b>									
704329200 .....	PAYDEN & RYGEL INV GRP SHORT .....		08/01/2004 .....	MELLON BANK .....	X X X .....	26,087 .....	2,553.00 .....		1PE .....
704329200 .....	PAYDEN & RYGEL INV GRP SHORT .....		08/01/2004 .....	MELLON BANK .....	X X X .....	25,248 .....	2,485.00 .....		1PE .....
704329200 .....	PAYDEN & RYGEL INV GRP SHORT .....		09/01/2004 .....	MELLON BANK .....	X X X .....	28,099 .....	2,758.00 .....		1PE .....
202681409 .....	CIF CORE PLUS BOND FUND .....		07/01/2004 .....	MELLON BANK .....	X X X .....	15,616 .....	1,537.00 .....		1PE .....
4599999 Subtotal - Bonds - Industrial and Miscellaneous .....					X X X .....	95,050 .....	9,333.00 .....		X X X .....
6099997 Subtotal - Bonds - Part 3 .....					X X X .....	104,140 .....	18,423.41 .....		X X X .....
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					X X X .....	X X X .....	X X X .....	X X X .....	X X X .....
6099999 Subtotal - Bonds .....					X X X .....	104,140 .....	18,423.41 .....		X X X .....
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					X X X .....	X X X .....	X X X .....	X X X .....	X X X .....
<b>Common Stock - Industrial and Miscellaneous</b>									
202681508 .....	CIF CORE EQUITY FUND .....		07/01/2004 .....	MELLON BANK .....	3,459.000 .....	31,408 .....	X X X .....		PE .....
202681805 .....	CIF INTERNATIONAL EQUITY FUND .....		07/01/2004 .....	MELLON BANK .....	7,984.000 .....	71,853 .....	X X X .....		PE .....
140193103 .....	AMERICAN FUNDS CIB .....		09/01/2004 .....	MELLON BANK .....	848.000 .....	41,856 .....	X X X .....		PE .....
140193103 .....	AMERICAN FUNDS CIB .....		09/01/2004 .....	MELLON BANK .....	455,102.000 .....	22,300,000 .....	X X X .....		PE .....
6899999 Subtotal - Common Stock - Industrial and Miscellaneous .....					X X X .....	22,445,117 .....	X X X .....		X X X .....
7299997 Subtotal - Common Stock - Part 3 .....					X X X .....	22,445,117 .....	X X X .....		X X X .....
7299998 Summary Item for Common Stock Bought and Sold This Quarter .....					X X X .....	X X X .....	X X X .....	X X X .....	X X X .....
7299999 Subtotal - Common Stock .....					X X X .....	22,445,117 .....	X X X .....		X X X .....
7399999 Subtotal - Preferred and Common Stock .....					X X X .....	22,445,117 .....	X X X .....		X X X .....
7499999 Total - Bonds, Preferred and Common Stock .....					X X X .....	22,549,257 .....	X X X .....		X X X .....

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter

1	2	3 F o r e i g n	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description		Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - Industrial and Miscellaneous																					
202681409	CIF CORE PLUS BOND FUND		07/01/2004	MELLON BANK	X X X	3,458	338.93	3,393,620		(86,530)			(86,530)		3,457,701		64,081	64,081			1PE
4599999 Subtotal - Bonds - Industrial and Miscellaneous					X X X	3,458	338.93	3,393,620		(86,530)			(86,530)		3,457,701		64,081	64,081		X X X	X X X
6099997 Subtotal - Bonds - Part 4					X X X	3,458	338.93	3,393,620		(86,530)			(86,530)		3,457,701		64,081	64,081		X X X	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	3,458	338.93	3,393,620		(86,530)			(86,530)		3,457,701		64,081	64,081		X X X	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Common Stock - Industrial and Miscellaneous																					
202681805	CIF INTERNATIONAL EQUITY FUND		07/01/2004	MELLON BANK	597,017	5,392,484	X X X	5,255,310		(200,312)			(200,312)		5,392,484		137,174	137,174	71,853		PE
202681508	CIF CORE EQUITY FUND		07/01/2004	MELLON BANK	1,142,579,000	10,376,837	X X X	10,287,105		(87,700)			(87,700)		10,376,837		89,732	89,732	56,907		PE
6899999 Subtotal - Common Stock - Industrial and Miscellaneous					X X X	15,769,321	X X X	15,542,415		(288,012)			(288,012)		15,769,321		226,906	226,906	128,759	X X X	X X X
7299997 Subtotal - Common Stock - Part 4					X X X	15,769,321	X X X	15,542,415		(288,012)			(288,012)		15,769,321		226,906	226,906	128,759	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299999 Subtotal - Common Stock					X X X	15,769,321	X X X	15,542,415		(288,012)			(288,012)		15,769,321		226,906	226,906	128,759	X X X	X X X
7399999 Subtotal - Preferred and Common Stock					X X X	15,769,321	X X X	15,542,415		(288,012)			(288,012)		15,769,321		226,906	226,906	128,759	X X X	X X X
7499999 Total - Bonds, Preferred and Common Stock					X X X	15,772,779	X X X	18,936,035		(374,541)			(374,541)		19,227,022		290,987	290,987	128,759	X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

**E06     Schedule DB Part A Section 1 - ..... NONE**

**E06     Schedule DB Part B Section 1 - ..... NONE**

**E07     Schedule DB Part C Section 1 - ..... NONE**

**E07     Schedule DB Part D Section 1 - ..... NONE**

**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances										
1			2	3	4	5	Book Balance at End of Each Month			9
							During Current Quarter			
					Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	
Depository			Code	Rate of Interest			First Month	Second Month	Third Month	*
open depositories										
Bank One .....	Dearborn, MI .....									X X X
MCARE Cash Outside UIP .....	Ann Arbor, MI .....								3,374	X X X
Mellon Trust, Demand Depositi										
Account .....	2004 .....						674,113	3,087,303	490,083	X X X
Bank One .....	Dearborn, MI .....						(6,880,416)	(9,551,658)	(5,963,680)	X X X
MCARE Cash Outside UIP .....	Ann Arbor, MI .....									X X X
Mellon Trust, Demand Depositi										
Account .....	2004 .....									X X X
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories ..			X X X	X X X						X X X
0199999 Totals - Open Depositories .....			X X X	X X X			(6,206,303)	(6,464,355)	(5,470,223)	X X X
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....			X X X	X X X						X X X
0299999 Totals - Suspended Depositories .....			X X X	X X X						X X X
0399999 Total Cash On Deposit .....			X X X	X X X			(6,206,303)	(6,464,355)	(5,470,223)	X X X
0499999 Cash in Company's Office .....			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash .....			X X X	X X X			(6,206,303)	(6,464,355)	(5,470,223)	X X X

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